

Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 11 May 1978

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National Intelligence Daily Cable for Thursday, 11 May 1978.

The NID Cable is for the purpose of informing senior US officials.

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SOUTH AFRICA: Political Influences

25X1 [] //South Africa's military strikes into Angola last week were intended to push the South-West Africa People's Organization toward eventual acceptance of the Western settlement proposal for Namibia, according to a senior official of the South African Department of Foreign Affairs. South Africa still plans to proceed with a phased reduction of its troops in Namibia if the SWAPO leaders accept the Western plan, but it will reply to major guerrilla attacks inside Namibia with further strikes against SWAPO bases in Angola.//

25X1 [] A principal aide to Foreign Minister Botha told the US Embassy in Cape Town yesterday that the decision to go ahead with the strikes was made after Prime Minister Vorster announced South Africa's acceptance of the Western settlement package.

25X1 [] The aide said that the strikes "had not been on the horizon" when the cabinet decided to accept the settlement package. Subsequently, however, cabinet ministers who had opposed acceptance convinced Vorster that it was imperative to show that acquiescence on this score did not signify tolerance

of the recent increase in terrorist activity. The ministers also considered it imperative to prove that the South African armed forces could carry out quick strikes against SWAPO bases well inside Angola.

25X1 [] The Foreign Minister, according to his aide, opposed the timing and scale of the strikes but lost an intense debate with the Defense Minister and other "hawks." South Africa does not intend, however, to proceed with similar strikes unless SWAPO significantly intensifies terrorist activities. Botha's aide said that all South African troops have been withdrawn from Angola, and the paratroop unit that attacked Cassinga has returned to its base in South Africa.

25X1 [] It seems likely that Vorster, who has a tendency to straddle divisive issues, mollified opponents of the Western plan by consenting to early military strikes, but deferred consulting the full cabinet until shortly before the day of the attack.//

25X1 [] //Given Vorster's penchant for keeping his options open, any decision to conduct future military strikes into Angola no doubt will depend on his perception of many other factors besides the incidence of SWAPO guerrilla raids. South Africa's limited capability for successive paradrops and air-borne evacuations will be one factor.//

25X1 [] //Vorster is also likely to assess carefully the net political impact--in South Africa as well as in Namibia--of SWAPO activities versus South African countermeasures. He would, in addition, probably take into account the likelihood of adverse international reaction, even though he is usually preoccupied with domestic pressures--as the timing of the recent strikes suggests.// []

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CHINA - NORTH KOREA: Hua's Visit

25X1 [REDACTED] //During his visit to North Korea this week, Chinese Party Chairman Hua Kuo-feng attempted to allay apprehension about the degree of Peking's support for the reunification of the Korean Peninsula under Pyongyang's control. The North Koreans clearly do not share China's broader strategic interest in preserving US military power in Northeast Asia to counter the USSR. Differences on this score may account for the absence of the customary joint communique. The composition of Hua's delegation suggests that economic aid, but not military assistance, was discussed.//

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[redacted] //Hua's visit from 5 to 10 May was his first trip outside China since he was confirmed as party leader and Premier, and the Chinese press predictably played up the event in glowing terms. Hua was given red carpet treatment by North Korean President Kim Il-song.//

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[redacted] //In his major public address in Pyongyang on Sunday, Hua reiterated Peking's support for North Korea as the "sole legitimate sovereign Korean state"; the only other time the Chinese have used this formula was during Kim's visit to Peking in April 1975. Hua vowed that China would not recognize the "authorities" in South Korea, and he implicitly ruled out Chinese support for the entry of South Korea in the UN.//

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[redacted] //Hua's remarks clearly were aimed at assuaging North Korean concern over efforts by the US and others to promote what Pyongyang characterizes as a "two Koreas plot" to formalize the division of Korea. These public reassurances will be particularly welcome in Pyongyang in view of the coming visit of Dr. Brzezinski to China, Japan, and South Korea.//

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[redacted] //While Hua denounced the presence of US troops in South Korea and called for their withdrawal, he did not stipulate a timetable. China views the US military presence in Korea as an important element in maintaining stability in Northeast Asia.

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[redacted] //Kim Il-song is well aware of Peking's tendency to subordinate his interests to China's broader strategic concerns. In late March North Korea took the unusual step of indirectly but publicly challenging the Chinese policy of putting the USSR ahead of the US as the "number one enemy." China does not want its differences with North Korea aired openly, and it may calculate that Hua's strong public support for North Korea's position will discourage any further polemics from Pyongyang.//

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[redacted] //Kim Il-song, in his major address, went beyond Hua's general condemnation of the US troop presence in South Korea. He expressed dissatisfaction with the US "going

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back further" on its "pledges"--a thinly veiled reference to President Carter's recent decision to slow the first phase of the US troop withdrawal.//

25X1 [] //Kim's remarks, nevertheless, were relatively restrained by North Korean standards and he again called for direct "contacts" between the US and North Korea. This approach seems to reflect Kim's current desire to avoid actions that might encourage the US to reverse its decision to withdraw ground combat forces.//

25X1 [] //The notable absence of military leaders from Hua's entourage suggests the Chinese deliberately tried to play down military ties. In contrast, their North Korean hosts took several opportunities to underscore China's contribution during the Korean war.//

25X1 [] //The Chinese delegation did include the top official responsible for foreign economic assistance. Because North Korea's foreign debt problems have soured its economic relations with the West, Pyongyang's traditional ties with China and the USSR have assumed more importance.//

25X1 [] //The North Koreans, however, have been unable to meet their trade obligations to the USSR and China, and both allies have responded by reducing their exports to North Korea. []

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25X1 [] //Kim Il-song has little leverage with the Chinese. The Soviets have taken some limited steps to stabilize political relations with North Korea but they have not shown much interest in competing vigorously with China for Kim's favor. []

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SUDAN: Looming Payments Crunch

25X1 [] Sudan faces a foreign exchange crisis that threatens to spark another round of labor unrest. Shortages of consumer goods and rampant inflation will intensify as imports of essential goods are curtailed. President Numayri's refusal so far to go along with the recommendations of the International Monetary Fund to devalue the pound and limit government spending probably will have to be reversed in order to obtain additional financial assistance from Arab states.

25X1 [] Sudan's balance of payments position has deteriorated steadily since 1974, primarily as a result of Numayri's ambitious economic development program. The program, ironically, was undertaken chiefly with financial assistance from Arab neighbors. The terms of assistance, however, required Sudan to contribute substantial matching funds, and the scheme did not anticipate the onset of global inflation accompanied by recession in the industrialized countries. The cost of Sudan's imports has increased while the market for cotton, its major export, has weakened.

25X1 [] Average annual development expenditures increased fourfold between fiscal year 1973 and fiscal year 1977, to \$344 million. To cover these expenditures, it was necessary to draw down foreign reserves from \$124 million in 1974 to roughly \$20 million at present.

25X1 [] The Sudanese financial situation is now approaching a precarious state. Most international commercial banks are refusing to honor letters of credit from the Bank of Sudan. Unpaid arrearages amount to \$300 million to \$400 million. Lack of foreign exchange is restricting imports of some critical goods--petroleum supplies, insecticides for this year's cotton crop, and spare parts--and the Port Sudan oil refinery was closed for three days in late April because it was unable to pay for Iraqi and Egyptian petroleum.

25X1 [] In January, a team of IMF officials proposed tough remedies, including devaluation and a sharp reduction in government spending, to put Sudanese finances on a sounder footing. Numayri fears the IMF package will cause serious domestic unrest. He also considers it an admission of the failure of his economic development program. A devaluation, moreover, would further raise the cost of imported necessities such as oil and flour, and compound the already high rate of inflation, now running at 25 to 30 percent. A rash of largely nonviolent strikes during March and April over the cost of living and shortages of consumer items doubtless stiffened Numayri's resolve to oppose the IMF reforms.

25X1 [] Sudanese appeals for short-term aid from Saudi Arabia and Kuwait apparently have fallen on deaf ears. The Saudis appear to be holding off until the IMF reforms are instituted. They are also asking for a Sudanese commitment not to launch any new development projects unless they are entirely financed by external funds. Whether or not the Saudis continue their

hard-nosed stance, they are unlikely to provide more than temporary relief until Sudan accepts the IMF reforms. Nonetheless, a source of the US Embassy last week described Sudans Minister of Finance as complacent and unperturbed over the economic situation, which suggests that the government may have achieved some accommodation with the Saudis.

25X1 [] With his credit rating a shambles, Numayri cannot afford to ignore the counsel of his greatest benefactor, Saudi Arabia. The Saudis probably will push for implementation of most of the IMF proposals as a means of forestalling open-ended cash payments, such as those provided to support Egypt. Domestically, Numayri may have to contend with more popular discontent and settle for a slowdown in his development program. [] 25X1

NIGERIA: Easing Worker Discontent

25X1 [] *Nigeria's military government has taken an important step to defuse worker discontent, and a top official has met with university authorities to discuss student discontent and steps for reopening schools.*

25X1 [] The government has suspended an increase in mandatory worker contributions to the country's national retirement fund. The increase, which almost caused a general strike, had alienated trade unionists because it reduced take-home pay at a time of growing inflation.

25X1 [] Regarding student problems, government and university authorities have agreed to maintain increased school fees, proceed with a government inquiry on the recent student rioting over the increase, and reopen schools when conditions permit. There have been no new student protests since early last week, and security patrols are under orders to show restraint to avoid creating unnecessary trouble.

25X1 [] There are indications that some influential civilians in the Muslim north believe the regime and in particular Head of State General Obasanjo, who is a non-Muslim southerner, have not dealt successfully with Nigeria's problems. Last week, a northern member of the constituent assembly who has radical views but nevertheless appears to have excellent connections with the northern Muslim establishment suggested publicly that the government resign and hand over power to a caretaker administration pending Nigeria's scheduled return to civilian rule next year.

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[] The US Embassy believes his statement probably reflects the views of at least some northern Muslims dissatisfied with the student situation and angered by the defeat of their proposal in the constituent assembly for an Islamic court of appeals under the new constitution.

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[] The US Embassy has an unconfirmed report from the Italian Embassy in Lagos that there was a "major confrontation" last week between Obasanjo and Brigadier Yar'Adua, the regime's number-two man and the ranking northern Muslim in the government. The source of this report says Obasanjo carried the day when Army Chief of Staff Danjuma, a minority tribesman, sided with him. There have long been some differences over policy issues between Obasanjo, the leader of the council's more pragmatic members, and Yar'Adua, who heads a clique of less flexible ultranationalists. []

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USSR: Enhanced Oil Recovery

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[] *//The USSR is acquiring Western facilities and technology for large-scale enhanced oil recovery operations using injection of carbon dioxide at 450 wells in the Romashkino deposits. According to Soviet laboratory tests, successful operations could increase recoverable reserves in that portion of the field under treatment by as much as 15 percent. The Soviets' limited experience with carbon dioxide injection and their poor technical skills may hinder the effort.//*

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[] Injected carbon dioxide dissolves in the crude oil, forming a mixture that can flow more easily and overcome the capillary forces that would otherwise retain oil in pores in the rock. The carbon dioxide contained in the recovered oil must be removed if the process is to be economically feasible.

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[] *//The Soviets have purchased two carbon dioxide liquefaction plants from West German firms to support the Romashkino project. One plant, to be built at Tolyatti, will be the world's largest, with a capacity for producing enough liquefied carbon dioxide to increase recoverable oil reserves by some 40 million barrels annually (about 1.5 percent of annual Soviet production).//*

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[] *//The second plant, with about 40 percent of the first plant's capacity, will be built at Kemerovo. Both plants will liquefy otherwise unused carbon dioxide that is*

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produced as a byproduct at nearby ammonia-synthesis plants. If delivery and construction proceed on schedule, the projects could begin helping to sustain Soviet oil output in the mid-1980s.//

25X1 [redacted] //The Soviets have approached a US firm for design assistance and installation support for about 500 kilometers of carbon dioxide pipeline and for injection equipment. They are also negotiating with Japanese firms for piping, compressor pumping stations, and other equipment for the liquid carbon dioxide pipelines. The Soviets have not been able to develop the necessary technical skills and personnel to design and build sophisticated enhanced oil recovery projects without such assistance.// [redacted]

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BRIEFS

Italy

25X1 [redacted] Italian Interior Minister Cossiga, who headed the investigation of the Moro kidnaping, resigned yesterday. Cossiga had held his post since February 1976, when he was sworn in as part of the last Christian Democratic cabinet led by Moro.

25X1 [redacted] The Andreotti government has issued no comment on the resignation, but Cossiga hinted in his statement that he felt under pressure to step down. Although Cossiga has cultivated close contacts with the Communist Party, it took a dim view of his performance in the Moro case. Last week the Communist press wondered why the authorities seemed "paralyzed," despite the broadly based parliamentary support the government receives from the Communists and four other parties.

25X1 [redacted] The choice of a successor to Cossiga may provide some indication of the state of play between the Christian Democrats and the Communists, as well as some sign of how the government plans to proceed on the terrorist question. While it is still unclear whether the Communist criticism contributed directly to Cossiga's resignation, it is reasonably certain that the party will press for a voice in the selection of his replacement.

25X1 [redacted]

China-Japan

25X1 [] China lodged a strong protest with Japan yesterday over legislation now pending in the Japanese Diet on implementation of the Japan - South Korea Continental Shelf Agreement. Peking's action, which reiterates previous Chinese claims to portions of the shelf area, was almost certainly prompted by the Japanese Government's recent suggestions that it plans to extend the current Diet session in order to ensure passage of the enabling legislation.

25X1 [] Like the incursions by Chinese fishing vessels in the disputed waters around the Senkaku Islands last month, Peking's protest is certain to be cited by opponents in Japan of the long-pending Sino-Japanese peace and friendship treaty as added justification for a go-slow approach on the treaty. []

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Sweden

25X1 [] Swedish Prime Minister Thorbjorn Falldin told a Stockholm daily last weekend that he is seriously considering resigning as head of Sweden's three-party coalition government. Falldin has apparently been brooding over an adverse court decision in a libel suit he initiated against an opposition daily for what he considered a slanderous editorial.

25X1 [] Falldin says he will reach a decision by 18 June, when his Center Party is scheduled to hold a party congress. The US Embassy in Stockholm believes that the odds favor Falldin's staying in office. If he should step down, it is unlikely that any party would support an early parliamentary election. Falldin's replacement would probably be chosen from among Foreign Minister Soder, Industry Minister Asling, and Deputy Prime Minister and Liberal Party leader Ullsten. []

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